

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Annual Compliance Report, 2011

Docket No. ACR2011

CHAIRMAN'S INFORMATION REQUEST NO. 2

(Issued January 31, 2012)

To clarify the basis of the Postal Service's estimates in its proposals filed in Docket No. ACR2011, the Postal Service is requested to provide written responses to the following questions. Answers should be provided to individual questions as soon as they are developed, but no later than February 7, 2012.

Standard Mail

1. In response to CHIR No. 1, questions 9(d) and (e), the Postal Service provided an estimate of the FY 2012 contribution and cost coverage for Standard Flats as a result of the recent Docket No. R2012-3 price adjustments. Please provide estimates of the contribution and cost coverage for each of the other Standard Mail products for FY 2012 using the same methodology. Please provide the supporting calculations in an electronic spreadsheet including those supporting the Postal Service's response to CHIR No. 1, questions 9(d) and (e).
2. Please refer to USPS-FY11-4, file FY 2011 Standard Mail.xls, tab ECR FLATS P. C2-2, row 51, which reports the revenues, pieces, and weights for Every Door Direct Mail ("EDDM").
  - a. Please confirm that this row reports data for both EDDM-BMEU and EDDM-Retail (which is the subject of the Market Test of an Experimental Product, Docket No. MT2011-3). If you do not confirm, please identify

which product is included in that row, and explain where revenue, pieces, and weights for the other EDDM product is reported.

- b. Please also refer to USPS-FY11-4, folder Supplemental, files SM 2011Q3.xls and SM 2011Q4.xls, each of which has tab ECR FLATS P. C2-2, row 51, reporting the revenues, pieces, and weights for EDDM for FY 2011, quarters 3 and 4, respectively. All data reported for EDDM in the annual report equal the data in the report for quarter 3, but the revenue and volume in quarter 4 is zero. Please confirm that there was no revenue or volume for EDDM in quarter 4, and if so, explain whether the EDDM program has been terminated. If not confirmed, please provide the data for quarter 4 or indicate whether and where the quarter 4 data can be found in the Postal Service's Docket No. ACR2011 filing, and correct EDDM revenue and volume data as may be required.

### Special Services

3. In response to ACR2010, CHIR 4, question 5 and as noted in Docket No. MC2009-19, the Postal Service explained that it is working on a methodology to allocate revenues and expenses between Stamped Fulfillment Services and Philatelic Sales products when it receives combined orders for stamps and philatelic items. For FY 2011, please provide an update on the Postal Service's efforts to develop a methodology to allocate the revenue and expenses for combined orders. If a methodology has not been developed, please approximate the allocation of revenue and expenses for combined orders of stamps and philatelic items.

## International Mail

4. Please refer to USPS-FY10-NP2, Excel file Reports (Booked).xls. In worksheet tab A Pages (md), please confirm that the “imputed” amount shown in cell D110 should be the “booked” amount shown in worksheet tab Pivot3, cell AE61. If not confirmed, please explain.
5. Please refer to USPS-FY10-NP2, Excel file Reports (Booked).xls. In worksheet tab A Pages (md), the cost coverage for Inbound Single-Piece First-Class Mail from target system countries paying UPU rates exceeds the cost coverage for inbound letter post items entered pursuant to the inbound multi-service agreement identified in worksheet tab Pivot3, cell AC62. In its request seeking approval of this agreement, the Postal Service maintained that the negotiated rates would result in an improvement over the default rates established under the UPU Acts for inbound letter post items. Please explain why the cost coverage for the inbound multi-service agreement did not exceed the cost coverage for inbound letter post items at UPU target system rates. What steps does the Postal Service plan to take to improve cost coverage for letter post items entered pursuant to the agreement.
6. The following questions pertain to the stand-alone international special services International Reply Coupon Service and International Business Reply Mail Service. Please refer to the FY 2011 Annual Compliance Report.
  - a. At page 45, for International Reply Coupon Service, the Postal Service states that the “ICRA does not report costs for this service.” Please explain why these costs cannot be reported and in what product(s) the costs for International Reply Coupon Service are located.
  - b. At page 46, for International Business Reply Mail Service, the Postal Service states that the “ICRA does not report costs for this service.”

Please explain why these costs cannot be reported and in what product(s) the costs for International Business Reply Mail Service are located.

7. The following question concerns market dominant inbound international negotiated service agreements (NSAs). Please refer to USPS-FY11-NP2, Excel file Reports (Booked).xls, worksheet A Pages (md), Table A-2, and the reference to Global Direct Entry with Foreign Postal Administrations. Please provide the revenue, volume variable cost, product specific costs (if any), pieces, and net/gross pounds for each agreement/contract (identified by name, docket number and, if applicable, agreement/contract number) used to derive the revenue, cost, volume, and weight figures for Global Direct Entry with Foreign Postal Administrations shown in Table A-2.
8. The following questions concern Express Mail Service (EMS) and the Kahala Posts Group.
  - a. Please provide copies of any agreement, including any Pay-for-Performance Plan, applicable to the Postal Service governing the exchange of EMS during FY 2011 between the Postal Service and foreign postal operators that are members of the Kahala Posts Group.
  - b. Please identify the foreign postal operators that were members of the Kahala Posts Group during FY 2011, and which of the identified foreign postal operators entered EMS into the United States pursuant to the agreement and Pay-for-Performance Plan provided in response to subpart a, above.
  - c. Please explain where the FY 2011 financial results for EMS entered by the foreign postal operators identified in subpart b, above, are separately reported in the ICRA. If not separately reported, please provide the EMS financial results.

- d. For FY 2011, please provide any reports applicable to the Postal Service measuring the service performance of EMS that are used as the basis for establishing EMS rates under the Pay-for-Performance Plan identified in subpart (a), above.

#### Nonpostal Services

9. The revenues for both the Philatelic Sales and Electronic Postmark services failed to cover costs. Please explain why the services had net losses for FY 2011. How will the Postal Service ensure that these services cover their costs in the future?

#### Service Standards

10. Please provide the average customer wait time in line for retail service pursuant to 39 CFR § 3055.91(d).
11. For FY 2011 and for all 3-digit ZIP Code pairs, please identify the number of days-to-deliver upgrades and the number of days-to-deliver downgrades, including an explanation of why each change was necessary, for:
  - a. First-Class Mail by product.
  - b. Periodicals by:
    - i. Origin entered (end-to-end); and
    - ii. Dropshipped mail.
  - c. Standard Mail by:
    - i. Origin entered (end-to-end); and
    - ii. Dropshipped mail.
  - d. Package Service by product.

12. Please provide the summary statistics for calls received by the Postal Service Customer Service number, call 1-800-ASK-USPS (1-800-275-8777), during FY 2011. Include in your response the total number of calls received for each category of information recorded, and the number of comments and/or complaints received per recorded category.
13. For Standard Mail, please provide:
  - a. The total number of Standard Mail mailers using IMb as of the end of FY 2011, broken out between Basic and Full Service.
  - b. The total volume of Standard Mail IMb mail, broken out between Basic and Full Service, mailed in FY 2011.
  - c. The percentage of Full Service IMb Standard Mail that was used to evaluate Standard Mail service performance in FY 2011.
14. For Presort First-Class Mail, please provide:
  - a. The total number of Presort First-Class Mail mailers using IMb as of the end of FY 2011, broken out between Basic and Full Service.
  - b. The total volume of Presort First-Class IMb mail, broken out between Basic and Full Service, mailed in FY 2011.
  - c. The percentage of Full Service IMb Presort First-Class Mail that was used to evaluate Presort First-Class Mail service performance in FY 2011.
15. Page 61 of the FY 2009 ACD states, “the Postal Service must provide the targets it strives to achieve with regard to its customer satisfaction survey results in [future] Annual Compliance Reports.” In the 2011 ACR, no customer experience targets have been provided with the customer experience survey results. Please provide targets for each customer experience measurement.

16. In the 2010 Comprehensive Statement on Postal Operations at 53, the Postal Service identifies Intelligent Mail as a strategic initiative. Excluding Within County Periodicals, the FY 2011 target was to have 90 percent of mail contain either a Full-Service or Basic IMb barcode.
  - a. Please provide the percentage of mail, by Class, that is expected to be Full-Service IMb compliant by the end of FY 2012.
  - b. Please identify the percentage of mail, by Class, that is expected to be Basic IMb compliant by the end of FY 2012.
  - c. Please specifically identify the steps the Postal Service plans to take in order to increase the usage of full service IMb in FY 2012.
  
17. Please provide the minimum required sample size (usable IMb data points) to achieve a level of precision of +/- 3 percent for annual service performance measurement at the district, area, and national level for each of the products listed below:
  - a. First-Class Mail Bulk Letters/Postcards
    - i. Overnight
    - ii. Two-day
    - iii. 3/4/5-day
  - b. First-Class Mail Flats
    - i. Overnight
    - ii. Two-day
    - iii. 3/4/5-day
  - c. Standard Mail Destination Entry
    - i. High Density and Saturation Letters
    - ii. High Density and Saturation Flats/Parcels
    - iii. Carrier Route
    - iv. Letters

- v. Flats
    - vi. Not Flat-Machinables (NFM)s/Parcels
  - d. Standard Mail End-to-End
    - i. High Density and Saturation Letters
    - ii. High Density and Saturation Flats/Parcels
    - iii. Carrier Route
    - iv. Letters
    - v. Flats
    - vi. Not Flat-Machinables (NFM)s/Parcels
  - e. Periodicals
    - i. Within County
    - ii. Outside County
- 18. On page 16 of the Annual Report on Service Performance for Market-Dominant Products, the Postal Service states the low service performance results for Standard Mail are “expected to improve as more customers adopt Full Service Intelligent Mail...”
  - a. Please explain why and how service performance results will improve as more customers adopt Full Service Intelligent Mail.
  - b. Please explain in detail how low Full Service Intelligent Mail customer participation correlates to low service performance results. For example, does the Postal Service believe that presort mailers in the current IMb sample population receive poorer service than the general population of presort mailers?

#### FY 2012 Performance Plan

- 19. Please refer to the FY 2011 Annual Performance Report and FY 2012 Annual Performance Plan, located in USPS-FY11-17 – 2011 Comprehensive Statement



of Postal Operations. In its FY 2012 Performance Plan, the Postal Service is required to establish “performance goals” for each program activity set forth in the Postal Service’s budget. 39 U.S.C. § 2803(a)(1). “Performance goal” means “a target level of performance expressed as a tangible, measurable objective, against which actual achievement shall be compared, including a goal expressed as a quantitative standard, value, or rate[.]” *Id.* § 2801(3). “Program activity” means “a specific activity related to the mission of the Postal Service.” *Id.* § 2801(5).

- a. Please specify what the performance goals are in the FY 2012 Performance Plan.
  - b. In accordance with the FY 2010 ACD, please identify performance goals and performance indicators for each program activity in the Postal Service’s operating budget. The Postal Service’s operating budget is in the FY 2012 Integrated Financial Plan. See FY 2010 ACD at 50.
20. In response to the Commission’s instruction in the FY 2010 ACD, please provide further detail about the “operational processes, skills and technology, and the human, capital, information, or other resources required to meet the performance goals[.]” FY 2010 ACD at 51; see 39 U.S.C. § 2803(a)(3).

#### FY 2011 Performance Report

21. For each performance indicator in the FY 2011 Performance Report, please include targets (plan) and results (actual) for FY 2008. See 39 U.S.C. § 2804(c).
22. Please identify where the FY 2011 Performance Report provides “the summary findings of those program evaluations completed” during FY 2011. See 39 U.S.C. § 2804(d)(4). “Program evaluation” means “an assessment, through

objective measurement and systematic analysis, of the manner and extent to which Postal Service programs achieve intended objectives.” *Id.* § 2801(6).

#### Strategic Initiatives

23. Please refer to the Strategic Initiatives on page 30 of the 2011 Comprehensive Statement on Postal Operations. Please provide FY 2012 targets for each Strategic Initiative. Page 53 of the FY 2010 Comprehensive Statement contains the FY 2011 targets.

#### Miscellaneous

24. Please provide a copy of the (November) 2011 report to the Postal Service from McKinsey & Co.
25. Please provide an update of the table entitled “Revenue by Channel” shown on p. 24 of the 2010 Comprehensive Statement on Postal Operations.
26. In the CPMS (Collection Point Management System) Database, which combination of “box type”(s) , “location type”(s), or any other appropriate combination of data fields, does the Postal Service consider to be “collection boxes” (as versus *collection points*) consistent with the Postal Service’s response to Docket No. ACR2010, CHIR No. 3, Question 2?

27. If blue collection boxes exist outside a Post Office which is subsequently discontinued, do the collection boxes remain? Please explain.
28. Please provide the FY 2011 total factor productivity figures and the supporting workpapers.
29. Please provide an Excel spreadsheet showing each area office, the district offices which comprise that area office, and the 3-digit ZIP Codes which fall under each district office, as of the end of FY 2011.

By the Chairman.

Ruth Y. Goldway